

TENET HEALTHCARE NYSE-THC

RECENT PRICE **6.15** P/E RATIO **15.4** (Trailing: 19.2 Median: NMF) RELATIVE P/E RATIO **0.99** DIV'D YLD **Nil** VALUE LINE

TIMELINESS 2 New 6/17/11	High: 30.5 41.9 52.5 19.3 18.7 13.1 9.3 7.8 6.9 6.4 6.9 7.7	Low: 11.3 24.7 13.7 11.3 9.1 7.3 5.8 3.1 1.0 0.8 3.9 6.0	Target Price Range 2014 2015 2016
SAFETY 5 New 9/22/06	LEGENDS 5.0 x "Cash Flow" p sh Relative Price Strength 3-for-2 split 7/02 Options: Yes Shaded areas indicate recessions		
TECHNICAL 1 New 6/17/11			
BETA 1.15 (1.00 = Market)			

2014-16 PROJECTIONS

Price	Gain	Ann'l Total Return
High 16	(+160%)	27%
Low 8	(+30%)	7%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	3Q2010	4Q2010	1Q2011
to Buy	145	139	140
to Sell	128	158	149
Hld's(000)	394288	404553	450468

Tenet Healthcare Corp. was formed on March 1, 1995, when National Medical Enterprises purchased American Medical Holdings (AMI) for \$1.5 billion cash and 33.2 million shares of common stock. (AMI had operated 37 acute care hospitals with 8,831 beds in 13 states.) The combined companies then adopted the name Tenet Healthcare and the ticker symbol THC.

CAPITAL STRUCTURE as of 3/31/11

Total Debt \$4082 mill. Due in 5 Yrs \$1600 mill.
LT Debt \$4014 mill. LT Interest \$220.0 mill.
(Int. coverage 1.5x) (69% of Cap'l)

Leases, Uncapitalized Annual rentals \$98.0 mill.
Pension Liability None

Common Stock 489,552,540 shs

MARKET CAP: \$3.0 billion (Mid Cap)

CURRENT POSITION

	2009	2010	3/31/11
Cash Assets	703	406	270
Receivables	1158	1143	1237
Inventory (FIFO)	153	156	156
Other	458	606	730
Current Assets	2472	2311	2393
Accts Payable	739	720	638
Debt Due	2	67	68
Other	1042	938	951
Current Liab.	1783	1725	1657

ANNUAL RATES

Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10
Revenues	-2.0%	-4.5%
"Cash Flow"	-8.5%	--
Earnings	-20.5%	11.0%
Dividends	--	Nil
Book Value	-17.0%	-24.0%

QUARTERLY REVENUES (\$ mill.)^A

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	2178	2132	2158	2195	8663
2009	2262	2229	2262	2261	9014
2010	2339	2303	2262	2301	9205
2011	2506	2394	2425	2425	9750
2012	2575	2550	2480	2525	10130

EARNINGS PER SHARE^{A B}

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.04	d.02	d.07	d.07	d.12
2009	.08	.03	.03	--	.14
2010	.16	.07	d.01	.10	.32
2011	.16	.08	.07	.09	.40
2012	.17	.11	.09	.13	.50

QUARTERLY DIVIDENDS PAID

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007					
2008					
2009					
2010					
2011					

NO DIVIDENDS
BEING PAID

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
Revenues per sh ^A	24.69	28.48	28.43	21.23	20.47	18.45	18.66	18.15	18.73	18.94	19.90	20.55		23.80
"Cash Flow" per sh	2.68	3.47	d2.03	d4.82	d.73	.62	.58	.66	.95	1.12	1.25	1.35		1.70
Earnings per sh ^B	1.53	2.17	d2.85	d5.66	d1.54	d.11	d.17	d.12	.14	.32	.40	.50		.80
Div'ds Decl'd per sh	--	--	--	--	--	--	--	--	--	--	Nil	Nil		Nil
Cap'l Spending per sh	1.23	1.82	1.62	1.19	1.21	1.34	1.40	1.15	.95	.98	1.00	1.10		1.40
Book Value per sh ^C	10.41	11.50	9.38	3.71	2.17	.56	.11	.22	.65	2.95	4.05	4.50		6.05
Common Shs Outst'g ^D	488.10	488.54	464.79	467.24	469.71	471.59	474.38	477.41	481.15	485.95	490.00	492.50		500.00
Avg Ann'l P/E Ratio	16.7	18.6	--	--	--	--	--	--	24.1	15.8	Bold figures are Value Line estimates			15.0
Relative P/E Ratio	.86	1.02	--	--	--	--	--	--	1.61	1.00				1.00
Avg Ann'l Div'd Yield	--	--	--	--	--	--	--	--	--	--				Nil

12053	13913	13212	9919.0	9614.0	8701.0	8852.0	8663.0	9014.0	9205.0	9750	10130	Revenues (\$mill) ^A	11900
18.6%	20.1%	NMF	NMF	3.7%	7.9%	7.9%	6.4%	8.5%	11.2%	11.6%	11.9%	Operating Margin	13.0%
554.0	604.0	460.0	388.0	382.0	342.0	362.0	373.0	386.0	394.0	405	415	Depreciation (\$mill)	455
752.0	1090.0	d1404	d2640	d724.0	d51.9	d89.0	d57.0	69.0	176.0	195	245	Net Profit (\$mill)	400
39.8%	41.4%	--	--	--	NMF	--	--	--	2.8%	38.0%	38.0%	Income Tax Rate	38.0%
6.2%	7.8%	NMF	NMF	NMF	NMF	NMF	NMF	.8%	1.9%	2.0%	2.4%	Net Profit Margin	3.4%
1060.0	810.0	1854.0	1862.0	1216.0	1100.0	512.0	760.0	689.0	586.0	775	875	Working Cap'l (\$mill)	1250
4202.0	3919.0	4039.0	4395.0	4784.0	4760.0	4771.0	4778.0	4272.0	3997.0	3900	3800	Long-Term Debt (\$mill)	3300
5079.0	5619.0	4361.0	1732.0	1021.0	264.0	54.0	103.0	646.0	1766.0	1975	2210	Shr. Equity (\$mill)	3025
10.6%	13.1%	NMF	NMF	NMF	3.0%	2.5%	3.1%	5.9%	6.7%	5.0%	6.0%	Return on Total Cap'l	8.0%
14.8%	19.4%	NMF	NMF	NMF	NMF	NMF	NMF	10.7%	10.0%	10.0%	11.0%	Return on Shr. Equity	13.0%
14.8%	19.4%	NMF	NMF	NMF	NMF	NMF	NMF	22.1%	10.6%	10.0%	11.0%	Retained to Com Eq	13.0%
--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

BUSINESS: Tenet Healthcare Corp. owns and/or operates 49 acute care hospitals (13,428 beds) in 11 states, with concentrations in CA, TX, and FL. Also operates specialty care facilities. '10 occupancy rate: 50.4%. Revenues by service: inpatient, 64.4%; outpatient, 31.5%; managed care 4.8%; balances to 100% when uninsured are factored in. Revs. by payor: Medicare/Medicaid, 32.6%; managed care, 56.5%; private pay, 10.9%. '10 depr. rate: 5.3%. Has 56,605 empls. Offs. and dirs. own 2.6% of stock; FMR Corp., 10.5%; Franklin Mutual, 10.7%; BlackRock, 5.9%; Vanguard Grp. 5.2% (4/10 proxy, 2011 filing delayed). Pres. & CEO: Trevor Fetter. Inc.: Nevada. Addr.: 1445 Ross Ave., Suite 1400, Dallas, TX 75202. Tel.: 469-893-2200. Web: www.tenethealth.com

Tenet Healthcare successfully fought off Community Health Systems' takeover efforts ...

Three times THC turned down offers from Community. The last in late April was valued at \$7.25 a share. The aggressive potential acquirer has now pulled its nominated appointments for election to Tenet's board, and the likelihood of this two parties reentering negotiations is basically nil.

... but in the end the proceedings turned messy.

A good part of the reason why we can say the deal is dead with an elevated level of certainty is that THC levied some serious accusations at Community during the talks. The claim was that CHS overbilled Medicare by admitting patients into hospitals that peers would otherwise place into outpatient observation. SEC subpoenas have been sent out, and this situation may get a lot stickier in the summer months. But we digress. Now the market wants to see continued signs of a turnaround before bidding up this stock. We are bullish on most hospital operators, as fundamentals within this space have been gradually improving coming out of the recession. Too,

Obamacare should decrease the number of uninsured patients at THC's facilities, which will be a boon. Still, competitors are snatching up smaller hospitals at a rapid clip, and Tenet's earnings do not translate into the cash flow that many of its peers boast. This will be a sizable disadvantage going forward, and may have many in the investment community shaking their heads over why Community's advancements were so thoroughly rebuffed.

Tenet's debt load is not going to disappear overnight. Regardless, a slow-but-steady method of repayment of the nearly \$4 billion burden will not go unnoticed by the market. Such moves could bring positive sentiment to this equity.

We like the recovery potential inherent in these shares. The possibility for another party to step in on the acquisition front also remains. If so, a higher bidding price would likely arise.

Erik M. Manning June 17, 2011

CASH POSITION	5-Year Av'g	3/31/11
Current Assets to Current Liabilities:	160%	144%
Cash & Equiv's to Current Liabilities:	42%	16%
Working Capital to Revenues:	13%	8%

(A) Fiscal years ended May 31st until 3/03 when THC's board approved change to a cal. year. Data for stub period 6/1/02 to 12/31/02 excluded from presentation. (B) Fully dil. eqs. Excl. nonrec. gain (losses): '01, (47¢); '02, (61¢); '06, (\$1.61); '07, (2¢); '08, (23¢); '09, 29¢; '10, \$1.69. Next eqs. rpt. due early August. (C) Incl. intang.; 12/10, \$1094 million, \$2.25/share. (D) In mill., adj. for a split.

© 2011, Value Line Publishing LLC. All rights reserved. Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN. This publication is strictly for subscriber's own, non-commercial, internal use. No part of it may be reproduced, resold, stored or transmitted in any printed, electronic or other form, or used for generating or marketing any printed or electronic publication, service or product.

Company's Financial Strength C+
Stock's Price Stability 20
Price Growth Persistence 10
Earnings Predictability 40

To subscribe call 1-800-833-0046.